

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6254

BILL NUMBER: SB 562

NOTE PREPARED: Feb 13, 2009

BILL AMENDED: Feb 12, 2009

SUBJECT: Divestment from States That Sponsor Terror.

FIRST AUTHOR: Sen. Alting

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: (Amended) This bill: (1) requires the Public Employees' Retirement Fund (PERF) and the state Teachers' Retirement Fund (TRF), in the capacity of shareholders, to contact companies with certain business activities in states that sponsor terror and request that the companies cease those business activities or convert the business activities to inactive business operations; (2) requires PERF and TRF to sell, redeem, divest, or withdraw investments in a company that is unresponsive to the requests; (3) prohibits PERF and TRF from acquiring securities of certain companies that have active business operations in a state that sponsors terror; (4) provides for certain exceptions for social development companies operating in a state that sponsors terror; and (5) requires PERF and TRF to report to the General Assembly any investments with a company with business operations in states that sponsor terror.

Effective Date: July 1, 2009.

Explanation of State Expenditures: (Revised) Both the TRF and PERF have estimated their costs associated with the implementation of this proposal. The TRF has estimated their initial out-of-pocket costs for divestiture at \$1.5 M. PERF has estimated its initial out-of-pocket costs for divestiture at \$1.4 M.

The bill narrows the definition of the defined term "scrutinized companies", which could reduce the number of companies which must be reviewed by both PERF and TRF. In addition, the bill provides that indirect holdings in actively managed investment funds are not subject to divestment, which could further reduce the number of companies subject to review. These changes could impact the above estimated costs.

(4) Requiring PERF and TRF to report to the General Assembly on certain investments can be accomplished within the existing level of resources for both PERF and TRF.

Explanation of State Revenues: This bill could affect fund revenues to the extent that PERF and TRF sell investments in companies that have business activities in the states that sponsor terror at a different price than they would have sold them otherwise. Fund revenues could also be affected if PERF or TRF reinvest the money taken out of states that sponsor terror, and the reinvestments bring in more or less revenue than was yielded by the states that sponsor terror investments. The amount of this possible effect is indeterminable.

Background Information: The PERF Board of Trustees has adopted Resolution No. 12, Addendum to Indiana Public Employees' Retirement Fund Restatement of Investment Policy for Evaluating Investment in Terror States. A copy of this resolution is available in the Office of Fiscal and Management Analysis.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: PERF; TRF.

Local Agencies Affected:

Information Sources: Terry Magid, Executive Director of PERF, 317-234-4375; Steve Barley, Chief Operating Officer of PERF, 317-233-4184; Steve Russo, Executive Director of TRF, 317-232-3864.

Fiscal Analyst: James Sperlik, 317-232-9866.